Business Editor Elizabeth Anderson
+4420 7361 5718
business@inews.co.uk

ECONOMY

Public borrowing blow puts deficit goal under pressure

By Russell Lynch

Philip Hammond's deficit-cutting efforts came under early pressure yesterday after disappointing public borrowing figures for November were published.

The Chancellor 's fiscal watchdog, the Office for Budget Responsibility (OBR), increased its original deficit target for the current year by £13bn to £68.2bn in last month's Autumn Statement amid slower-than-expected progress on bringing down borrowing.

Yesterday's figures showed a £600m fall in net borrowing to £12.6bn, marking the best November since 2007 for the public finances, but shot down hopes of an even bigger slide in the deficit to £12.1bn.

For the eight months of this financial year, the UK has racked up £59.5bn of borrowing, giving it less than £9bn of leeway in hitting the OBR's new, less demanding target with four months still to go.

Dennis de Jong, the managing director at currency broker UFX, said: "If borrowing levels continue to rise at this rate, Hammond may not have too much room for manoeuvre."

Ross Campbell, a director at the Institute of Chartered Accountants in England and Wales, said the Government was in "real danger of dropping the ball".

{i} The OBR predicts a **£122bn surge in borrowing over the next five years** as Britain pulls out of the European Union, £59bn of which it directly puts down to the impact of Brexit.

While the deficit is 11.5 per cent down on last year, broadly putting Mr Hammond on course to hit the new target when he presents his spring Budget on 8 March, Brexit uncertainty also hangs over the public finances.

The OBR predicts that growth will slow to 1.4 per cent in 2017, when Prime Minister Theresa May wants to start formal EU exit talks and rising inflation erodes consumer spending power. Mr Hammond expects to run a small deficit in 2021, in contrast to his predecessor George Osborne's goal of a surplus by 2020.

This month's figures saw big rises in corporation tax, national insurance and VAT although the income tax take fell and overall annual growth in receipts weakened to 3.6 per cent.

The amount of money owed by the Government to the private sector stood at £1.66trn at the end of November, equivalent to 84.5 per cent of the output of the entire economy in a year.

The Chancellor, Philip Hammond, expects to run a small deficit in 2021

Suren Thiru, head of economics at the British Chambers of Commerce, said: "Government borrowing in November, while higher than expected, was still marginally lower in annual terms. Despite the slight improvement, debt levels remain unsustainably high. 2017 is likely to be a challenging period for the UK's

The 30 Second Briefing

SHERRY

Anyone for a glass of sherry?
Probably not. The Wine and Spirit Trade Association (WSTA) says that sales of the festive tipple have halved in the past 10 years. Sales of other fortified wines have also fallen. The popularity of port is down 20 per cent and vermouth sales have dropped by two-thirds.

How many bottles are sold?
Almost 10 million bottles of sherry were sold in 2015, compared with 22 million bottles in 2005. About eight million bottles of port were sold last year, while six million bottles of vermouth were sold. Vermouth is a key ingredient of a martini and red vermouth is also mixed with gin to make a negroni. The WSTA pointed out that even with sales of gin rising, this has failed to halt the decline of the classic cocktail ingredient.

Why are sales of fortified wine falling?
Industry experts say part of the reason is high taxes. Since 2007, fortified wine duty has increased by 53 per cent, which has added £1 to a bottle of port and sherry. Assuming every household left out a glass of port or sherry for Father Christmas on Christmas Eve, Britons would pay £4m more now than they would in 2007. The wine industry as a whole generates £17.3bn for the UK economy each year.

The UK's fortified wine industry is the most heavily taxed in Europe.
In the UK, drinkers of sherry and port pay £2.78 in duty and a further £1.08 in VAT, says the WSTA. This means that 59 per cent of the average cost of a bottle is taken up in taxes. Fourteen countries in the EU, including Spain and Portugal, pay no duty on wine and only have to pay the VAT on a bottle.

PROPERTY

£100m royal West End revamp plan resurrected

By Joanna Bourke

The Crown Estate is resurrecting a £100m plan to revamp a tired London block into offices and shops, after a decision was frozen in the aftermath of the Brexit vote.

The company, which runs the Queen's land and property empire, said construction giant Skanska would create 46,000 sq ft of offices, shops and restaurants at Duke's Court, near Piccadilly Circus in central London. Six luxury flats will also be constructed nearby.

James Cooksey, a director for central London at the Crown Estate, said: "Such an investment reflects our belief in the fundamentals of London's West End, notwithstanding the near-term market outlook, and its continued performance over the long term through creating fantastic buildings that stand the test of time."

The decision signals confidence in the capital's property market after Britain's vote to the withdraw from the EU cast a shadow over the future of millions of square feet of new development planned in the capital.

Just days after the referendum, the Crown Estate said it would "review" whether to start construction on the Duke's Court scheme.

The new building is to be complete by spring 2019, and is the latest in a £500m string of redevelopments that the Crown Estate has undertaken in and around St James's.

The value of the Crown Estate's portfolio rose by 9.7 per cent to £12bn in its latest financial year.

EVENING STANDARD

Quote of the day

We have no plans to sell any of it. I'm third generation and I hope that fourth-generation members will take over when ready

Jean Cassegrain
The Longchamp boss, whose grandfather set up the business, on keeping it in the family